

VILLAGE OF CENTRAL LAKE
CENTRAL LAKE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Central Lake</i>	County <i>Antrim</i>
Audit Date <i>2/20/05</i>	Opinion Date <i>6/2/05</i>	Date Accountant Report Submitted to State: <i>2/3/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. Eighth Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

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INTRODUCTORY SECTION

Village of Central Lake
List of Elected Officials and Village Officers
February 28, 2005

Larry Eckhardt	President
Brian Patton	President Pro Tem/ Trustee
Greta Powers	Clerk/Treasurer
Karen Thomas	Trustee
Lela Clark	Trustee
Dennis Thier	Trustee
Harry Pletcher	Trustee
David Kotwick	Trustee
Susie McClanaghan	Deputy Clerk/ Recording Secretary

FINANCIAL SECTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
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INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Central Lake, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of February 28, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Central Lake
Independent Auditors' Report
Page Two

As described in Note IV, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2005.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Bany E. Taulith, CPA, 12

June 2, 2005

BASIC FINANCIAL STATEMENTS

**Village of Central Lake
Statement of Net Assets
February 28, 2005**

	Governmental	Business	
	Activities	-Type	
	Activities	Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 274,234	\$ 199,352	\$ 473,586
Receivables, net	39,657	34,626	74,283
Inventory		9,000	9,000
Restricted cash		63,512	63,512
Prepaid expenses	3,759	270	4,029
Due from other funds	6,271	50,000	56,271
Capital assets (net of accumulated depreciation):			
Land and improvements	16,400	51,070	67,470
Machinery and equipment	97,622	42,757	140,379
Parks & recreation	5,401		5,401
Streetscape improvements	494,644		494,644
Sewer system		547,281	547,281
Water system		746,740	746,740
Total assets	<u>937,988</u>	<u>1,744,608</u>	<u>2,682,596</u>
LIABILITIES			
Accounts payable	18,610	168	18,778
Accrued withholdings	4,250		4,250
Accrued interest		3,335	3,335
Customer deposits		3,233	3,233
Due to other funds	50,000	6,271	56,271
Noncurrent liabilities:			
Due within one year		20,000	20,000
Due in more than one year		325,000	325,000
Total liabilities	<u>72,860</u>	<u>358,007</u>	<u>430,867</u>
NET ASSETS			
Invested in capital assets, net of related debt	614,067	1,042,848	1,656,915
Restricted for:			
Debt service		63,512	63,512
Unrestricted	<u>251,061</u>	<u>280,241</u>	<u>531,302</u>
Total net assets	<u>\$ 865,128</u>	<u>\$1,386,601</u>	<u>\$2,251,729</u>

See notes to financial statements

Village of Central Lake
Statement of Activities
For the Year Ended February 28, 2005

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 4,743	\$	\$	\$
Government	63,588	2,799		
Public safety	69,171			
Public works	244,815			
Community/ economic development	2,477			
Recreation & culture	38,683			
Unallocated	<u>23,106</u>			
Total governmental activities	446,583	2,799		
Business-type activities:				
Sewer	47,909	20,997	1,961	7,765
Water	<u>102,693</u>	<u>84,271</u>		
Total	<u>\$ 597,185</u>	<u>\$108,067</u>	<u>\$ 1,961</u>	<u>\$ 7,765</u>

General revenues:

Property taxes & administrative fees
State aid
Interest earnings
Rentals
Gain of sale of fixed assets
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense) Revenue and
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,743)	\$	\$ (4,743)
(60,789)		(60,789)
(69,171)		(69,171)
(244,815)		(244,815)
(2,477)		(2,477)
(38,683)		(38,683)
<u>(23,106)</u>		<u>(23,106)</u>
(443,784)		(443,784)
	(17,186)	(17,186)
	<u>(18,422)</u>	<u>(18,422)</u>
<u>(443,784)</u>	<u>(35,608)</u>	<u>(479,392)</u>
223,111	44,622	267,733
186,435		186,435
10,179	4,604	14,783
116,760		116,760
100		100
3,874	127	4,001
<u>75,000</u>	<u>(75,000)</u>	
<u>615,459</u>	<u>(25,647)</u>	<u>589,812</u>
171,675	(61,255)	110,420
<u>693,453</u>	<u>1,447,856</u>	<u>2,141,309</u>
<u>\$ 865,128</u>	<u>\$1,386,601</u>	<u>\$ 2,251,729</u>

Village of Central Lake
Balance Sheet
Governmental Funds
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 52,878	\$ 87,798	\$ 61,468	\$ 202,144
Receivables	16,260	15,838	7,559	39,657
Prepaid expenses	2,627			2,627
Due from other funds	<u>6,271</u>			<u>6,271</u>
Total assets	<u>\$ 78,036</u>	<u>\$103,636</u>	<u>\$ 69,027</u>	<u>\$ 250,699</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,073	\$ 15,421	\$ 421	\$ 17,915
Accrued withholdings	4,250			4,250
Due to other funds		<u>50,000</u>		<u>50,000</u>
Total liabilities	<u>6,323</u>	<u>65,421</u>	<u>421</u>	<u>72,165</u>
Fund balances:				
Unreserved,				
reported in:				
General fund	71,713			71,713
Major street fund		38,215		38,215
Local street fund			<u>68,606</u>	<u>68,606</u>
Total fund balances	<u>71,713</u>	<u>38,215</u>	<u>68,606</u>	<u>178,534</u>
Total liabilities and fund balances	<u>\$ 78,036</u>	<u>\$103,636</u>	<u>\$ 69,027</u>	<u>\$ 250,699</u>

See notes to financial statements

Village of Central Lake
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
February 28, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 178,534
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Capital assets used in governmental
activities are not financial resources
and therefore are not reported as assets
in governmental funds:

Cost of capital assets	594,057
Accumulated depreciation	(77,612)

Internal service funds are used by management
to charge the costs of equipment to
individual funds. The assets and liabilities
of the internal service funds are included
in governmental activities in the
statement of net assets.

170,149

Total Net Assets - Governmental Activities	<u>\$ 865,128</u>
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See notes to financial statements

Village of Central Lake
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 175,764	\$	\$ 47,347	\$ 223,111
State aid	90,294	69,466	26,675	186,435
Charges for services	2,799			2,799
Sale of assets	100			100
Interest earnings	4,635	3,050	1,245	8,930
Rents	60,090			60,090
Miscellaneous	3,874			3,874
Total revenues	<u>337,556</u>	<u>72,516</u>	<u>75,267</u>	<u>485,339</u>
EXPENDITURES				
Current:				
Legislative	4,743			4,743
General government	63,588			63,588
Public safety	69,171			69,171
Public works	112,454	514,061	63,930	690,445
Community/economic development	2,477			2,477
Recreation & culture	35,983			35,983
Unallocated	23,106			23,106
Total expenditures	<u>311,522</u>	<u>514,061</u>	<u>63,930</u>	<u>889,513</u>
Excess (deficiency) of revenues over (under) expenditures	26,034	(441,545)	11,337	(404,174)
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>(233,000)</u>	<u>308,000</u>		<u>75,000</u>
Net changes in fund balances	(206,966)	(133,545)	11,337	(329,174)
Fund balances - beginning	<u>278,679</u>	<u>171,760</u>	<u>57,269</u>	<u>507,708</u>
Fund balances - ending	<u>\$ 71,713</u>	<u>\$ 38,215</u>	<u>\$ 68,606</u>	<u>\$ 178,534</u>

See notes to financial statements

Village of Central Lake
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of Governmental Funds
 To the Statement of Activities
 For the Year Ended February 28, 2005

Amounts reported for governmental activities in the
 statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$(329,174)

Governmental funds report capital outlays
 as expenditures. However, in the statement
 of activities the cost of those assets is
 allocated over their estimated useful lives
 and reported as depreciation expense. This
 is the amount by which capital outlays
 exceeded depreciation in the current period.

Capital outlays	507,327
Depreciation	(15,383)

Internal service funds are used by management
 to charge the costs of equipment to
 individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>8,905</u>
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Change in net assets of governmental activities	<u>\$ 171,675</u>
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See notes to financial statements

Village of Central Lake
Statement of Net Assets
Proprietary Funds
February 28, 2005

	Business-type Activities -Enterprise Funds	
	Sewer Fund	
	Prior Year	Current Year
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,817	\$ 46,160
Receivables, net	35,609	30,496
Inventory		
Prepaid insurance	41	117
Due from other funds		
Total current assets	<u>76,467</u>	<u>76,773</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Capital assets:		
Land	38,850	38,850
Machinery & equipment	7,045	7,045
Sewer system	826,571	826,571
Water system		
Less accumulated depreciation	<u>(269,775)</u>	<u>(286,335)</u>
Total noncurrent assets	<u>602,691</u>	<u>586,131</u>
Total assets	<u>679,158</u>	<u>662,904</u>
LIABILITIES		
Current liabilities:		
Accounts payable		
Accrued interest		
Customer deposits	3,296	3,233
Due to other funds		
Bonds payable		
Total current liabilities	<u>3,296</u>	<u>3,233</u>
Noncurrent liabilities:		
Bonds payable		
Total liabilities	<u>3,296</u>	<u>3,233</u>
NET ASSETS		
Invested in capital assets, net of related debt	602,691	586,131
Restricted for debt service		
Unrestricted	<u>73,171</u>	<u>73,540</u>
Total net assets	<u>\$ 675,862</u>	<u>\$ 659,671</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund			Internal Service Funds	
Prior Year	Current Year	Totals	Prior Year	Current Year
\$ 139,734	\$ 153,192	\$ 199,352	\$ 38,024	\$ 72,090
4,500	4,130	34,626		
9,000	9,000	9,000		
	153	270	412	1,132
100,000	50,000	50,000		
<u>253,234</u>	<u>216,475</u>	<u>293,248</u>	<u>38,436</u>	<u>73,222</u>
67,909	63,512	63,512		
12,220	12,220	51,070		
198,259	198,259	205,304	422,536	422,536
		826,571		
954,389	954,389	954,389		
(339,219)	(363,151)	(649,486)	(299,728)	(324,914)
893,558	865,229	1,451,360	122,808	97,622
<u>1,146,792</u>	<u>1,081,704</u>	<u>1,744,608</u>	<u>161,244</u>	<u>170,844</u>
	168	168		695
3,528	3,335	3,335		
		3,233		
6,271	6,271	6,271		
20,000	20,000	20,000		
<u>29,799</u>	<u>29,774</u>	<u>33,007</u>		<u>695</u>
345,000	325,000	325,000		
<u>374,799</u>	<u>354,774</u>	<u>358,007</u>		<u>695</u>
460,649	456,717	1,042,848	122,808	97,622
67,909	63,512	63,512		
<u>243,435</u>	<u>206,701</u>	<u>280,241</u>	<u>38,436</u>	<u>72,527</u>
<u>\$ 771,993</u>	<u>\$ 726,930</u>	<u>\$ 1,386,601</u>	<u>\$ 161,244</u>	<u>\$ 170,149</u>

Village of Central Lake
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 28, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Year</u> <u>Current Year</u>
Operating revenues:		
Taxes & administrative fees	\$	\$
Charges for services	17,509	19,077
Equipment rentals		
Other services		1,920
Total operating revenues	<u>17,509</u>	<u>20,997</u>
Operating expenses:		
Depreciation	16,560	16,560
Wages	6,084	8,999
Repairs & maintenance	4,086	9,004
Gas & oil		
Equipment rental	3,462	5,860
Contracted services	2,012	4,549
Utilities	4,373	1,214
Other expenses	155	633
Insurance	980	457
New construction & equipment	22	310
Office supplies & postage	161	162
Printing & publishing	786	
Education & training		161
Total operating expenses	<u>38,681</u>	<u>47,909</u>
Operating income(loss)	<u>(21,172)</u>	<u>(26,912)</u>
Nonoperating revenues		
(expenses):		
Transfer out		
Special assessments	7,540	7,765
Reimbursements		1,961
Miscellaneous revenue		
Investment earnings	639	995
Interest expense		
Total nonoperating		
revenue(expenses)	<u>8,179</u>	<u>10,721</u>
Change in net assets	<u>(12,993)</u>	<u>(16,191)</u>
Total net assets-beginning	<u>688,855</u>	<u>675,862</u>
Total net assets-ending	<u>\$ 675,862</u>	<u>\$ 659,671</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund			Internal Service Funds	
Prior Year	Current Year	Totals	Prior Year	Current Year
\$ 35,949	\$ 44,622	\$ 44,622	\$	\$
86,610	80,949	100,026		
			67,592	56,670
<u>5,191</u>	<u>3,322</u>	<u>5,242</u>		
<u>127,750</u>	<u>128,893</u>	<u>149,890</u>	<u>67,592</u>	<u>56,670</u>
24,708	23,932	40,492	28,384	25,187
19,663	20,623	29,622		
13,051	6,559	15,563	7,754	6,693
			8,354	9,545
8,645	8,646	14,506		
3,298	1,592	6,141		
9,864	7,935	9,149		
414	9,402	10,035		5
998	656	1,113	3,512	3,137
	1,170	1,480	299	4,447
572	627	789		
388	353	353		
<u>430</u>	<u>1,118</u>	<u>1,279</u>		
<u>82,031</u>	<u>82,613</u>	<u>130,522</u>	<u>48,303</u>	<u>49,014</u>
<u>45,719</u>	<u>46,280</u>	<u>19,368</u>	<u>19,289</u>	<u>7,656</u>
	(75,000)	(75,000)	(100,000)	
		7,765		
		1,961		
5,967	127	127		
8,696	3,609	4,604	867	1,249
<u>(20,870)</u>	<u>(20,080)</u>	<u>(20,080)</u>		
<u>(6,207)</u>	<u>(91,344)</u>	<u>(80,623)</u>	<u>(99,133)</u>	<u>1,249</u>
39,512	(45,064)	(61,255)	(79,844)	8,905
<u>732,482</u>	<u>771,994</u>	<u>1,447,856</u>	<u>241,088</u>	<u>161,244</u>
<u>\$ 771,994</u>	<u>\$ 726,930</u>	<u>\$ 1,386,601</u>	<u>\$ 161,244</u>	<u>\$ 170,149</u>

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from taxes and adm. fees	\$	\$
Receipts from customers and users	24,382	26,110
Payments to suppliers	(12,576)	(22,426)
Payments to employees	<u>(6,084)</u>	<u>(8,999)</u>
Net cash provided (used) by operating activities	<u>5,722</u>	<u>(5,315)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Customer deposits		(63)
Transfer out		
Due from other funds		
Miscellaneous revenue (expense)	(3,460)	
Reimbursement	<u></u>	<u>1,961</u>
Net cash provided (used) by noncapital financing activities	<u>(3,460)</u>	<u>1,898</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Special assessments	7,540	7,765
Interest expense		
Payment of principal on long-term debt	<u></u>	<u></u>
Net cash provided (used) by capital and related financing activities	<u>7,540</u>	<u>7,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash		
Interest received	<u>638</u>	<u>995</u>
Net cash provided (used) by investing activities	<u>638</u>	<u>995</u>

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund		Totals	Internal Service Funds	
Prior Year	Current Year		Prior Year	Current Year

\$ 41,916	\$ 44,622	\$ 44,622	\$	\$
91,630	84,641	110,751	67,591	56,670
(37,246)	(38,043)	(60,469)	(19,919)	(23,852)
(19,663)	(20,623)	(29,622)		
<u>76,637</u>	<u>70,597</u>	<u>65,282</u>	<u>47,672</u>	<u>32,818</u>
		(63)		
(100,000)	(75,000)	(75,000)	(100,000)	
(413)	50,000	50,000		
	127	127		
		<u>1,961</u>		
(100,413)	(24,873)	(22,975)	(100,000)	
		7,765		
(21,015)	(20,273)	(20,273)		
(15,000)	(20,000)	(20,000)		
(36,015)	(40,273)	(32,508)		
(9,975)	4,397	4,397		
<u>8,695</u>	<u>3,610</u>	<u>4,605</u>	<u>867</u>	<u>1,248</u>
(1,280)	8,007	9,002	867	1,248

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2005
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	10,440	5,343
Cash and cash equivalents, beginning	<u>30,377</u>	<u>40,817</u>
Cash and cash equivalents, ending	<u>\$ 40,817</u>	<u>\$ 46,160</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund		Totals	Internal Service Funds	
<u>Prior Year</u>	<u>Current Year</u>		<u>Prior Year</u>	<u>Current Year</u>
(61,071)	13,458	18,801	(51,461)	34,066
<u>200,805</u>	<u>139,734</u>	<u>180,551</u>	<u>89,484</u>	<u>38,024</u>
<u>\$ 139,734</u>	<u>\$ 153,192</u>	<u>\$ 199,352</u>	<u>\$ 38,023</u>	<u>\$ 72,090</u>

Village of Central Lake
Statement of Cash Flows
Proprietary funds
For the Year Ended February 28, 2005
(Continued)

	Business-type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	<u>\$ (26,912)</u>	<u>\$ 46,280</u>	<u>\$ 19,368</u>
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	16,560	23,932	40,492
(Increase) decrease in accounts receivable	5,113	370	5,483
(Increase) decrease in prepaid insurance	(76)	(153)	(229)
Increase (decrease) in accounts payable	<u> </u>	<u>168</u>	<u>168</u>
Total adjustments	<u>21,597</u>	<u>24,317</u>	<u>45,914</u>
Net cash provided (used) by operating activities	<u><u>\$ (5,315)</u></u>	<u><u>\$ 70,597</u></u>	<u><u>\$ 65,282</u></u>

See notes to financial statements

Governmental
Activities-
Internal
Service
Funds

\$ 7,656

25,187

(720)

695

25,162

\$ 32,818

Village of Central Lake
Notes to the Financial Statements
February 28, 2005

I. Summary of significant accounting policies

The financial statements of the Village of Central Lake (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected seven-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Antrim County, which advances the Village 100% for the delinquent taxes.

The 2004 taxable valuation of the Village totaled \$22,429,000, on which ad valorem taxes levied consisted of 7.8778 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$1,202 to collect the taxes and applicable interest. Also, the Village has a street and water millage levies that were voted for by the Village residents of 2.1222 and 2.0000 mills, respectively.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the

general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer and water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, and other charges between the government's sewer and water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"

(i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental

activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. *Inventories and prepaid items*

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Peoples State Bank in a certificate of deposit valued at \$50,581 and a checking account with a balance of \$12,931 as of February 28, 2005. These monies are reserved in the Water Fund for payment of future debt payments.

5. *Capital assets*

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Buildings & improvements	30
Water system	10-50
Sewer system	50
Parks & recreation	10
Campground	10
Machinery & equipment	5-15
Streetscape improvements	20

6. *Compensated absences*

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. *Fund equity*

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Comparative data/reclassifications*

Comparative total data for the prior year have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 28, 2005, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Elections	\$	\$ 731	\$ (731)
Clerk/treasurer	38,600	39,089	(489)
Professional services	5,000	5,300	(300)
Hall & grounds	12,500	15,087	(2,587)
Public Safety:			
Crime control	66,000	69,171	(3,171)
Public Works:			
Street lighting	15,000	21,928	(6,928)
Community/economic development:			
Planning commission	1,000	2,477	(1,477)
Major Street Fund:			
Public Works	496,500	514,061	(17,561)
Local Street Fund:			
Public Works	31,100	63,930	(32,830)

These overexpenditures were funded by available fund balances, respectively.

III. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Village's deposits were \$537,098 and the bank balance was \$537,226, of which \$263,511 was covered by federal depository insurance.

B. Receivables

Receivables as of year end for the government's individual major funds consist of \$16,260, \$15,838 and \$61,468, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, local road plan and snow removal costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$34,626.

C. Capital assets

Capital asset activity for the year ended February 28, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	\$ 16,400	\$	\$	\$ 16,400
Total capital assets, not being depreciated	<u>16,400</u>			<u>16,400</u>
Capital assets, being depreciated:				
Buildings & improvements	3,500			3,500
Machinery & equipment	457,282			457,282
Parks & recreation	27,005			27,005
Campground	5,079			5,079
Streetscape improvements		507,327		507,327
Total capital assets being depreciated	<u>492,866</u>	<u>507,327</u>		<u>1,000,193</u>
Less accumulated depreciation for:				
Buildings & improvements	(3,500)			(3,500)
Machinery & equipment	(334,474)	(25,186)		(359,660)
Parks & recreation	(18,904)	(2,700)		(21,604)
Campground	(5,079)			(5,079)
Streetscape improvements		(12,683)		(12,683)
Total accumulated depreciation	<u>(361,957)</u>	<u>(40,569)</u>		<u>(402,526)</u>
Total capital assets, being depreciated, net	<u>130,909</u>	<u>466,758</u>		<u>597,667</u>
Governmental activities capital assets, net	<u>\$ 147,309</u>	<u>\$ 466,758</u>	<u>\$</u>	<u>\$ 614,067</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	\$ 51,070	\$	\$	\$ 51,070
Capital assets, being depreciated:				
Machinery & equipment	205,304			205,304
Sewer collection system	826,571			826,571
Water distribution system	<u>954,389</u>			<u>954,389</u>
Total capital assets, being depreciated	<u>1,986,264</u>			<u>1,986,264</u>
Less accumulated depreciation for:				
Machinery & equipment	(156,914)	(5,632)		(162,546)
Sewer collection system	(262,730)	(16,561)		(279,291)
Water distribution system	<u>(189,350)</u>	<u>(18,299)</u>		<u>(207,649)</u>
Total accumulated depreciation	<u>(608,994)</u>	<u>(40,492)</u>		<u>(649,486)</u>
Total capital assets, being depreciated, net	<u>1,377,270</u>	<u>(40,492)</u>		<u>1,336,778</u>
Business-type activities capital assets, net	<u>\$1,428,340</u>	<u>\$ (40,492)</u>	<u>\$</u>	<u>\$1,387,848</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Parks & recreation	\$ 2,700
Public works	12,683
Internal service fund	<u>25,186</u>
Total depreciation expense- governmental activities	<u>\$ 40,569</u>
Business-type activities:	
Sewer	\$ 16,560
Water	<u>23,932</u>

Total depreciation expense-
business-type activities

\$ 40,492

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:		
	Major Street Fund	Local Street Fund	Total
General fund	\$ 233,000	\$	\$ 233,000
Water fund	<u>75,000</u>		<u>75,000</u>
Total transfers in	<u>\$ 308,000</u>	<u>\$</u>	<u>\$ 308,000</u>

The composition of interfund balances as of February 28, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 6,271
Water	Major street	<u>50,000</u>
Total		<u>\$ 56,271</u>

E. Long-term debt

Revenue bonds

The Village issued bonds on February 4, 1999 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$460,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.8%	<u>\$ 345,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 20,000	\$ 20,010
2007	20,000	18,850
2008	25,000	17,690
2009	25,000	16,240
2010	25,000	14,790
2011-2015	155,000	50,170

2016-2017	<u>75,000</u>	<u>6,670</u>
Total	<u>\$ 345,000</u>	<u>\$ 144,420</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Bonds payable:				
Revenue				
bonds	<u>\$ 365,000</u>	<u>\$ (20,000)</u>	<u>\$ 345,000</u>	<u>\$ 20,000</u>

F. Segment information

The Village issued revenue bonds on February 4, 1999 to help finance the water supply system. Summary financial information for the water department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:		
Current assets		\$ 216,475
Restricted assets		63,512
Capital assets		<u>801,717</u>
Total assets		<u>1,081,704</u>
Liabilities:		
Current liabilities		29,774
Bonds payable-noncurrent		<u>325,000</u>
Total liabilities		<u>354,774</u>
Net assets:		
Invested in capital assets, net of related debt		865,229
Restricted		63,512
Unrestricted		<u>(201,811)</u>
Total net assets		<u>\$ 726,930</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Water charges (pledged against bonds)	\$ 84,271
Taxes & administrative fees	44,622
Depreciation expense	(23,932)
Other operating expenses	(58,681)
Operating income	46,280
Nonoperating revenues (expenses):	
Transfer out	(75,000)
Investment earnings	3,609
Miscellaneous revenue	127
Interest expense	(20,080)
Change in net assets	(45,064)
Beginning net assets	771,994
Ending net assets	<u>\$ 726,930</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 70,597
Noncapital financing activities	(24,873)
Capital and related financing activities	(40,273)
Investing activities	8,007
Net increase (decrease)	13,458
Beginning cash and cash equivalents	139,734
Ending cash and cash equivalents	<u>\$ 153,192</u>

G. Schedule of investment in capital assets

Changes in the investment in capital assets (formerly contributed equity) in the enterprise fund type for the year ended February 28, 2005, consist of the following:

Balance - beginning	\$ 1,496,249
Deduct: Depreciation of assets purchased from contributed equity	(44,889)
Balance - ending	<u>\$ 1,451,360</u>

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village contributed \$14,813 to Individual Retirement Accounts (IRA's) during the current fiscal year for its employees.

C. Implementation of new accounting standard

As of and for the year ended February 28, 2005, the Village implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes and related fees	\$177,000	\$ 177,000	\$175,764	\$ (1,236)
State aid	88,000	88,000	90,294	2,294
Charges for services	2,000	2,000	2,799	799
Sale of assets			100	100
Interest earnings	5,000	5,000	4,635	(365)
Rents	45,000	45,000	60,090	15,090
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>3,874</u>	<u>(126)</u>
Total revenues	<u>321,000</u>	<u>321,000</u>	<u>337,556</u>	<u>16,556</u>
EXPENDITURES				
Current:				
Legislative:				
Village council	<u>6,400</u>	<u>6,400</u>	<u>4,743</u>	<u>1,657</u>
General government:				
President	4,700	4,700	3,381	1,319
Elections			731	(731)
Clerk/treasurer	38,600	38,600	39,089	(489)
Professional services	5,000	5,000	5,300	(300)
Hall & grounds	<u>12,500</u>	<u>12,500</u>	<u>15,087</u>	<u>(2,587)</u>
Total general government	<u>60,800</u>	<u>60,800</u>	<u>63,588</u>	<u>(2,788)</u>
Public safety:				
Crime control	<u>66,000</u>	<u>66,000</u>	<u>69,171</u>	<u>(3,171)</u>
Total public safety	<u>66,000</u>	<u>66,000</u>	<u>69,171</u>	<u>(3,171)</u>
Public works:				
Sidewalks:				
Salaries	4,000	4,000	5,224	(1,224)
Supplies	3,000	3,000	824	2,176
New construction	1,000	1,000	1,076	(76)
Insurance			218	(218)
Equipment rent	<u>6,000</u>	<u>6,000</u>	<u>4,982</u>	<u>1,018</u>
Total sidewalks	<u>14,000</u>	<u>14,000</u>	<u>12,324</u>	<u>1,676</u>

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED):				
Current:				
Public works:				
DPW:				
Salaries	22,000	22,000	23,057	(1,057)
Retirement	10,000	10,000	8,584	1,416
Office supplies	500	500	409	91
Uniforms	3,000	3,000	3,658	(658)
Contracted services	8,000	8,000	265	7,735
Telephone	3,000	3,000	2,524	476
Publishing & printing	500	500		500
Insurance	32,000	32,000	38,541	(6,541)
Dental allowance	3,000	3,000	543	2,457
Miscellaneous			621	(621)
Total DPW	<u>82,000</u>	<u>82,000</u>	<u>78,202</u>	<u>3,798</u>
Electric utilities:				
Street lighting	<u>15,000</u>	<u>15,000</u>	<u>21,928</u>	<u>(6,928)</u>
Total public works	<u>111,000</u>	<u>111,000</u>	<u>112,454</u>	<u>(1,454)</u>
Community/economic development:				
Planning commission	<u>1,000</u>	<u>1,000</u>	<u>2,477</u>	<u>(1,477)</u>
Recreation & culture:				
Parks & recreation	27,700	27,700	9,288	18,412
Campground	<u>28,500</u>	<u>28,500</u>	<u>26,695</u>	<u>1,805</u>
Total recreation & culture	<u>56,200</u>	<u>56,200</u>	<u>35,983</u>	<u>20,217</u>
Unallocated:				
Payroll taxes	15,000	15,000	20,485	(5,485)
Promotional	<u>16,000</u>	<u>16,000</u>	<u>2,621</u>	<u>13,379</u>
Total unallocated	<u>31,000</u>	<u>31,000</u>	<u>23,106</u>	<u>7,894</u>

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
EXPENDITURES				
(CONTINUED) :				
Total				
expenditures	<u>332,400</u>	<u>332,400</u>	<u>311,522</u>	<u>20,878</u>
Excess (deficiency)				
of revenues over				
(under)				
expenditures	(11,400)	(11,400)	26,034	37,434
OTHER FINANCING				
SOURCES (USES)				
Transfers out:				
Major street fund	<u>(95,000)</u>	<u>(95,000)</u>	<u>(233,000)</u>	<u>(138,000)</u>
Net change in fund				
balances	(106,400)	(106,400)	(206,966)	(100,566)
Fund balances-				
beginning	<u>262,665</u>	<u>262,665</u>	<u>278,679</u>	<u>16,014</u>
Fund balances-ending	<u>\$156,265</u>	<u>\$ 156,265</u>	<u>\$ 71,713</u>	<u>\$ (84,552)</u>

See notes to financial statements

Village of Central Lake
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
State aid	\$ 55,500	\$ 55,500	\$ 69,466	\$ 13,966
Interest earnings	2,000	2,000	3,050	1,050
Reimbursements	<u>2,500</u>	<u>2,500</u>		<u>(2,500)</u>
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>72,516</u>	<u>12,516</u>
EXPENDITURES				
Public works:				
Construction	460,000	460,000	467,339	(7,339)
Administration	1,000	1,000	10,300	(9,300)
Routine maintenance	18,000	18,000	15,410	2,590
Winter maintenance	17,000	17,000	20,882	(3,882)
Traffic services	<u>500</u>	<u>500</u>	<u>130</u>	<u>370</u>
Total expenditures	<u>496,500</u>	<u>496,500</u>	<u>514,061</u>	<u>(17,561)</u>
Excess (deficiency) of revenues over (under) expenditures	(436,500)	(436,500)	(441,545)	(5,045)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>158,000</u>	<u>158,000</u>	<u>308,000</u>	<u>150,000</u>
Net change in fund balances	(278,500)	(278,500)	(133,545)	144,955
Fund balances- beginning	<u>11,584</u>	<u>11,584</u>	<u>171,760</u>	<u>160,176</u>
Fund balances- ending	<u><u>\$(266,916)</u></u>	<u><u>\$(266,916)</u></u>	<u><u>\$ 38,215</u></u>	<u><u>\$305,131</u></u>

See notes to financial statements

Village of Central Lake
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 42,000	\$ 42,000	\$ 47,347	\$ 5,347
State aid	27,000	27,000	26,675	(325)
Interest earnings	500	500	1,245	745
Total revenues	<u>69,500</u>	<u>69,500</u>	<u>75,267</u>	<u>5,767</u>
EXPENDITURES				
Public works:				
Construction	4,000	4,000	39,988	(35,988)
Administration	1,300	1,300	731	569
Routine maintenance	11,500	11,500	10,288	1,212
Winter maintenance	14,000	14,000	12,923	1,077
Traffic services	300	300		300
Total expenditures	<u>31,100</u>	<u>31,100</u>	<u>63,930</u>	<u>(32,830)</u>
Net change in fund balances	38,400	38,400	11,337	(27,063)
Fund balances-beginning	<u>63,447</u>	<u>63,447</u>	<u>57,269</u>	<u>(6,178)</u>
Fund balances-ending	<u>\$ 101,847</u>	<u>\$ 101,847</u>	<u>\$ 68,606</u>	<u>\$ (33,241)</u>

See notes to financial statements

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of our examination for the year ended February 28, 2005:

Tax Collections

The Village currently collects and disburses tax collections in the common checking account. We recommend the Village open up a separate checking account for the collection and payment of property taxes.

W-2's

The Village Council members are paid for attending council meetings. These payments are reported to the IRS by form 1099's. We recommend the payments have social security and medicare taxes taken out and reported on W-2's.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, PC

June 2, 2005